

Message Text

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ORIGIN EA-06

INFO OCT-01 ISO-00 ONY-00 /007 R

DRAFTED BY EA/J:STAFF:BCL
APPROVED BY EA/J - NICHOLAS PLATT
DESIRED DISTRIBUTION
EA ONLY, INR - MR. SYLVESTER, INR - MR. GRIFFIN
-----108021 301624Z /43

R 300025Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO
INFO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS
AMEMBASSY SUVA

C O N F I D E N T I A L STATE 166217

LIMDIS

E.O. 11652:GDS

TAGS: PGOV, EGEN, MARR, JA, US

SUBJECT: WEEKLY STATUS REPORT - JAPAN, JUNE 29, L978

TO: EA - MR. HOLBROOKE

FROM: EA/J - NICHOLAS PLATT

1. ADVANCED PAYMENT FOR ENRICHED URANIUM SERVICES (LOU)

AFTER THREE DAYS OF TALKS, GOJ TEAM RETURNED TO TOKYO WITH ALL BUT TWO ISSUES RESOLVED: (A) WHO SIGNS THE MEMORANDUM OF UNDERSTANDING (MOU) SETTING UP THE ACCOUNT AT TREASURY, AND (B) WHAT INTEREST RATE TREASURY WILL PAY ON THE DEPOSITED FUNDS. WE HAVE GONE ABOUT AS FAR AS POSSIBLE ON THE FIRST ISSUE, AND, UNLESS THE GOJ SHOWS CONSIDERABLE
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INGENUITY AND FLEXIBILITY, THE PRIME MINISTER'S INITIATIVE MAY YET FALL THROUGH.

WHO SIGNS: THE ISSUE IS WHETHER THE GOJ OR JAPANESE UTILITY FIRMS WILL SIGN THE MOU WITH TREASURY AND DOE. THE GOJ WANTS THE LATTER WHILE TREASURY SAYS THERE IS NO PRECEDENT FOR SETTING UP SUCH SPECIAL "DEPOSIT FUND

ACCOUNTS" FOR PRIVATE FIRMS. THE GOJ OFFERED TO PROVIDE A "SIDE LETTER" WITH ASSURANCES THAT IT WOULD USE ITS "BEST EFFORTS" TO PERSUADE THE ELECTRIC POWER FIRMS TO ABIDE BY THE AGREEMENT. TREASURY HAS AGREED TO RESEARCH THE LEGAL/ ADMINISTRATIVE QUESTIONS INVOLVED AND GET A POLICY DECISION (FROM GENERAL COUNSEL MUNDHEIM AND UNDERSECRETARY SOLOMON).

INTEREST RATE: TREASURY WANTED A FISCALLY NEUTRAL (I.E., NO PROFIT OR LOSS TO TREASURY) FLEXIBLE RATE BASED ON THE FEDERAL FUNDS RATE. GOJ "STRONGLY REQUESTED", AND TREASURY AGREED TO A FIXED RATE. TREASURY SUGGESTED 6 TO 6.5 PERCENT. THE GOJ ASKED FOR 6.5 TO 7 PERCENT.

BOTH SIDES AGREED ON A LETTER OF ASSURANCE FROM DOE WHICH GIVES A SATISFACTORY LEVEL OF "CONTROL" TO THE JAPANESE SIDE WITHOUT GIVING SO MUCH THAT THE ALLOCATION WILL BE SUBJECT TO INVENTORY TAXES.

2. UNU (CONFIDENTIAL)

THE JUNE 26 SENATE FLOOR DEBATE ON THE FOREIGN AID AUTHORIZATION BILL RESULTED IN PASSAGE OF AN AMENDMENT OFFERED BY SENATOR DECONCINI STRIKING THE \$7.5 MILLION FOR UNU (THE HOUSE FENDED OFF A SIMILAR EFFORT IN ITS VERSION OF THE BILL). THE BILL WILL GO TO SENATE-HOUSE CONFERENCE SOMETIME AFTER JULY 4. THE DEPARTMENT WILL UNDERTAKE A CONFIDENTIAL

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VIGOROUS CONSULTATION PROCESS TO GET THE UNU AUTHORIZATION RE-INSERTED. SENATOR INOUE IS THE KEY, BUT APPROACHES ALSO UNDER CONSIDERATION TO SENATORS DECONCINI (WHOM IO HOPES YOU WILL APPROACH), CASE, SPARKMAN, LEAHY, CHURCH AND REPRESENTATIVES ZABLOCKI AND FASCELL. PROSPECTS ARE STILL UNCERTAIN, AND A DECISION MAY BE DELAYED POSSIBLY UNTIL NEXT JANUARY IF THE CONFERENCE RESULTS IN A CONTINUING RESOLUTION AUTHORITY.

3. KUBO'S MEETING AT ACDA (CONFIDENTIAL)

IN HIS MEETING WITH ACDA DEPUTY DIRECTOR KEENY ON JUNE 28 NDC SECRETARY GENERAL TAKUYA KUBO INDICATED INTEREST IN (1) THE ROLE PLAYED BY THE PRC AT THE UNSSOD, (2) THE ROLE JAPAN MIGHT BEST PLAY ON DISARMAMENT ISSUES AND (3) THE SALT NEGOTIATING PROCESS AS AN INDICATOR OF SOVIET STRATEGIC THINKING. REGARDING THE PRC IN UNSSOD, MR. KEENY SAID HE DETECTS A GREATER CHINESE INTEREST IN PARTICIPATING IN THE INTERNATIONAL ARMS CONTROL DIALOGUE RATHER THAN SIMPLY USING SUCH FORUMS FOR ATTACKING THE USSR. HE SAW THE PRC APPROACH AS NOW BEING MORE SOPHISTICATED AND RESPONSIBLE AND LESS PROPAGANDISTIC. KEENY SUGGESTED THAT THE MOST

EFFECTIVE ROLE FOR JAPAN WOULD PROBABLY BE IN THE AREA OF NON-PROLIFERATION AND THAT JAPAN CAN DEMONSTRATE THAT A NATION CAN BE PROSPEROUS AND INFLUENTIAL WITHOUT NUCLEAR WEAPONS. WITH RESPECT TO THE SALT NEGOTIATIONS, KEENEY SAID THEY HAD INVOLVED THE TOP LEADERSHIP ON BOTH SIDES IN KEY MILITARY/STRATEGIC DECISIONS AND THAT THE PROCESS IS NOW TAKEN FOR GRANTED. HE SAID HE BELIEVES THE USSR IS PREPARED TO ACCEPT A POSITION OF GENERAL EQUALITY WITH THE US.

4. HONOLULU TALKS ON OKINAWA RIF (CONFIDENTIAL)

ED FEATHERSTONE ACCOMPANIED ISA/EAPR DIRECTOR BRIG. GEN. CONFIDENTIAL

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PINCKNEY TO HONOLULU TO CONSULT WITH JDA DIRECTOR-GENERAL KANEMARU AND HIS PARTY ON HOW TO HANDLE THE OKINAWA RIF IN A WAY THAT DOES THE LEAST DAMAGE TO GOJ COST-SHARING EFFORTS. YOU HAVE BEEN ADVISED BY SEPTTEL OF THE DETAILS OF THIS SUCCESSFUL EFFORT. FEATHERSTONE USED PART OF HIS TIME IN HAWAII TO CONFER WITH CINCPAC STAFF OFFICERS AND OTHERS IN USARPAC AND PACAF CONCERNED WITH JAPAN.

5. STATE-EMBASSY SOFTBALL GAME (UNCLASSIFIED)

OUR 20 TO 12 VICTORY OVER THE EMBASSY LAST SATURDAY BALANCED OFF OUR DEFEAT LAST YEAR. THE GAME WOULD PROBABLY HAVE BEEN CLOSER BUT FOR THE PERFORMANCE OF NON-STATE DEPARTMENT RINGERS LIKE BERGSTEN, WEIL AND BARREDA AND YOUR BOOMING HOMERS. STR'S HEAVY HITTERS (STRAUSS, WOLFF, RIVERS) HAD PLANNED TO JOIN US BUT HAD TO LEAVE THAT WEEKEND FOR THE MTN FINALE IN GENEVA. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, POLITICAL SUMMARIES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 jun 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE166217
Document Source: CORE
Document Unique ID: 00
Drafter: STAFF:BCL
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780271-0024
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978062/aaaaabpq.tel
Line Count: 153
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 150dee7f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2207561
Secure: OPEN
Status: NATIVE
Subject: WEEKLY STATUS REPORT - JAPAN, JUNE 29, L978 TO: EA - MR. HOLBROOKE FROM: EA/J - NICHOLAS PLATT
TAGS: PGOV, EGEN, MARR, JA, US
To: TOKYO
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/150dee7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014